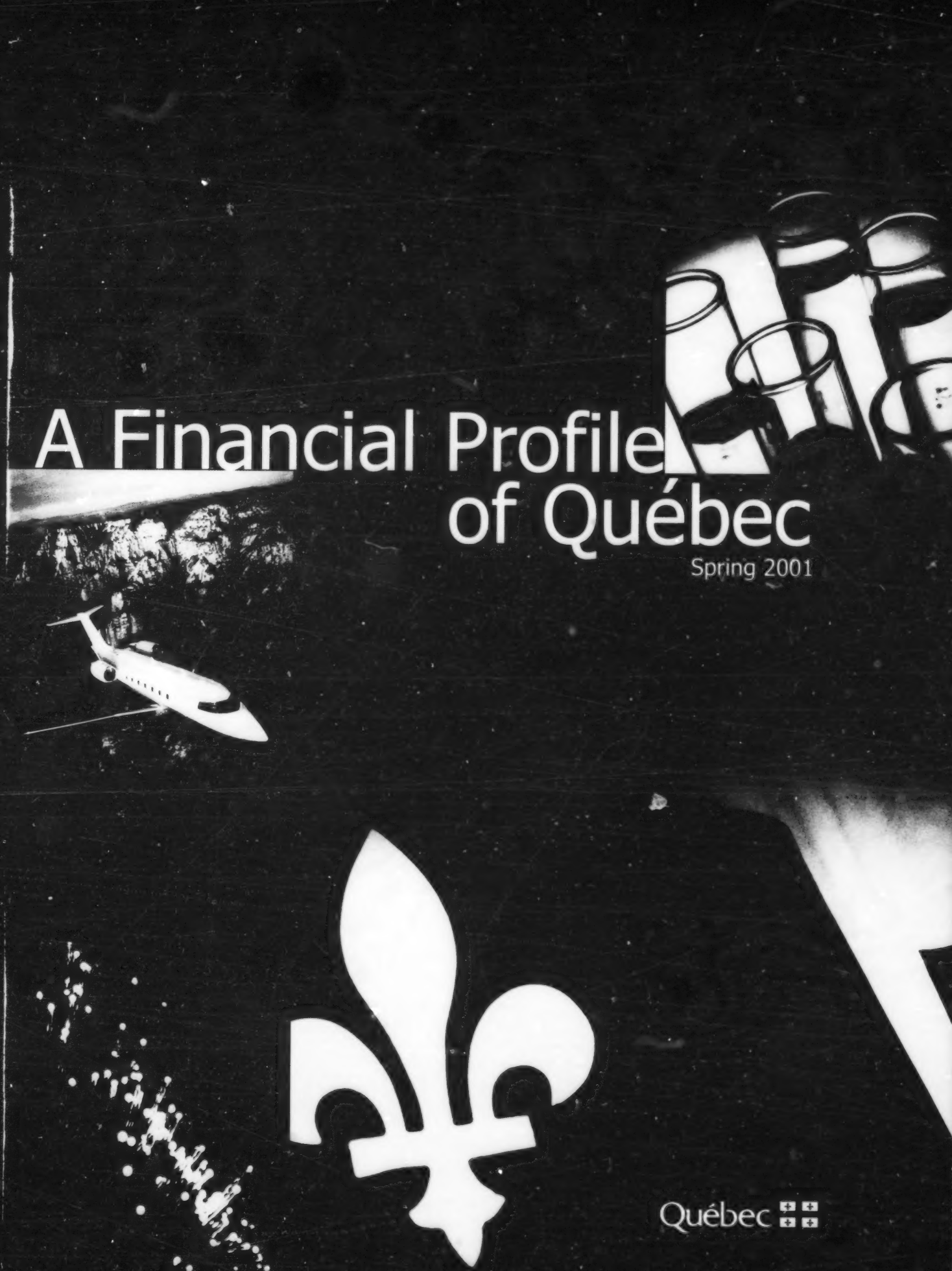

A Financial Profile of Québec

Spring 2001

Québec

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Québec

Economy

Public finances

Financing and debt management

Credit ratings

Québec
Ministère des Finances

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Relations with Financial Agents Service
Ministère des Finances
12, rue St-Louis, bureau 2.25
Québec (Québec) G1R 5L3
Telephone: (418) 646-4285
Fax: (418) 643-4700
E-mail: sraf@finances.gouv.qc.ca

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- Québec ranks first in terms of area in Canada, and second in terms of population, with 7.4 million people.
- With a gross domestic product in excess of CAN$200 billion, Québec ranks among the top 20 industrialized countries in the OECD.
- Québec's economy is similar in size to those of Switzerland and Sweden.
- Québec's per capita GDP is comparable to those of Germany and Japan, and exceeds those of France and the United Kingdom.
- Québec's per capita GDP is almost 10% above the average for OECD.
- Under the North American Free Trade Agreement, Québec has preferred access to a market of more than 400 million consumers.
- Québec has direct access to 130 million consumers within a radius of 1 000 kilometres (600 miles).

+1

A diversified post-industrial economy

- The service sector plays a dominant role, accounting for 70% of GDP.
- Despite the primary sector's small share of the economy, Québec is a major world producer of natural resources.

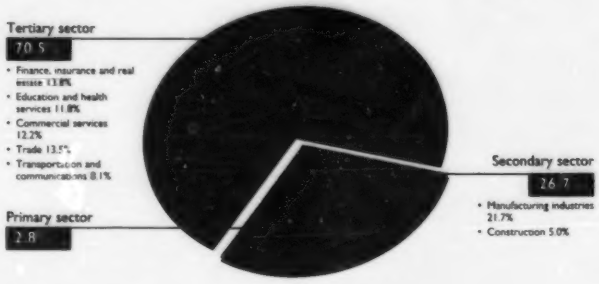
Abundant natural resources

- Mining:
  - Québec is one of the world's top ten mining producers.
- Aluminium:
  - Québec is the world's third-largest producer.
- Magnesium:
  - Québec's production is the third highest in the world.
- Newsprint:
  - 60% of the newsprint consumed in the northeast United States is produced in Québec.

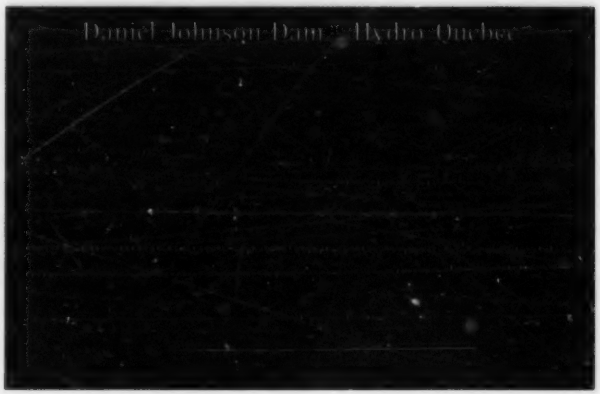
Hydro-electricity and Hydro-Québec

- Fresh water covers 10% of Québec's territory of 1.7 million km², forming one of the world's largest reservoirs.
- The hydro-electric dams of Hydro-Québec, a corporation 100%-owned by the Québec government:
  - enable Québec to produce a clean and completely renewable form of electricity;
  - at a cost of production that is among the lowest in North America.
- With over 31 500 megawatts of power, Hydro-Québec serves 3.5 million customers in Québec, and sells electricity to the United States, Ontario and New Brunswick.
  - Hydro-Québec is the biggest exporter of electricity to the United States.
- Québec still has substantial undeveloped hydro-electric potential.

Breakdown of real GDP by major sector - 2000



Source: Institut de la statistique du Québec.



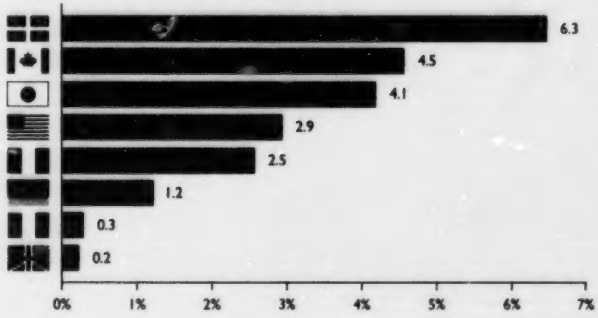
An advanced-knowledge economy

- Québec ranks ahead of every G7 country in terms of R&D spending growth by companies.
- Since 1990, the number of companies carrying out R&D has more than doubled.
- R&D spending now stands at 2.1% of GDP, compared with 1.7% in Canada.
- Advanced-knowledge industries have increased their share of GDP from 18% in 1983 to 24% in 2000.

Montréal: high-tech centre of the new economy

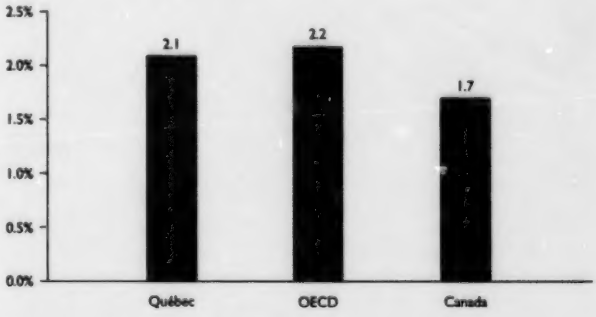
- Montréal is an acknowledged hub of new technologies and ranks among the leaders of technological development.
  - A study by PricewaterhouseCoopers (October 2000) puts Montréal in fourth place in North America in terms of the number of jobs per capita in high-technology sectors.
  - The US magazine Wired (July 2000) ranks Montréal fifth among the world's of new technology hubs, on an equal footing with New York and Seattle, and ahead of Los Angeles, Paris and Tokyo.
- Montréal offers:
  - A high concentration of researchers in biotechnology, pharmacology, information and multimedia technology.
  - A critical mass of companies in high-technology sectors.
  - Top-notch scientific resources with four universities and over 300 research centres.
  - More accessible financing for companies in the new economy with the arrival of Nasdaq Canada.

Real R&D spending by firms
(average growth rate 1986-1998)



Sources: OECD and Statistics Canada for Québec and Canada.

R&D spending - 1998
(as a percentage of GDP)



Sources: OECD, Statistics Canada and Institut de la statistique du Québec.

Growing importance of advanced-knowledge industries
(as a percentage of private sector real GDP)

Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

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Companies at the forefront of the world economy

- Many world leaders in high-technology sectors have chosen Québec.

Aerospace

- Québec ranks sixth in the world, ahead of Italy and Spain:
  - Montréal is the world's third-largest aerospace centre, behind Seattle and Toulouse.
- Over 250 companies; 40 000 jobs.
- Sales in excess of $8 billion in 1999:
  - over the last five years, sales have risen by more than 50% and employment by 21%.
- Over 75% of production is exported.
- R&D in excess of $500 million annually.

Biopharmaceutical industry

- 163 companies; 12 800 jobs, including 5 000 R&D jobs in the health sector:
  - R&D spending up 250% between 1989 and 1999.
- 45% of all capital investment in the biopharmaceutical sector in Canada.

Information technologies

- 4 000 companies, including a hundred multinationals; 102 000 jobs.
- R&D investment of some $800 million.
- Remarkable breakthroughs by software designed in Québec, for example, special effects in the area of film production.
- Exports worth $9 billion in 1999.

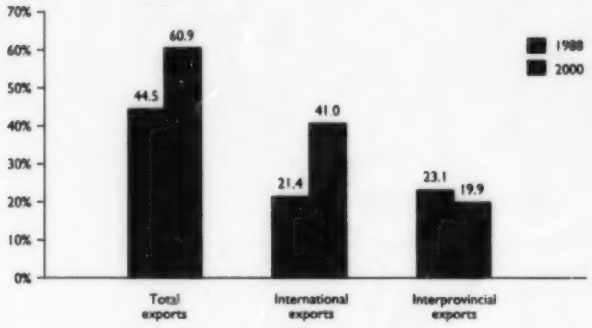
An open economy highly integrated into the North American market

- With the North American Free Trade Agreement (NAFTA), Québec has access to a huge market:
  - in 1988, prior to NAFTA, exports accounted for close to 45% of Québec's GDP;
  - today, they account for 61% of GDP.
- Since 1988, international merchandise exports have more than tripled:
  - about 86% is destined for the United States.
- Québec is now:
  - the seventh-largest exporter on the American market, ahead of Taiwan, South Korea and France;
  - the fifth-largest export market for the United States, ahead of Germany, South Korea and Taiwan.

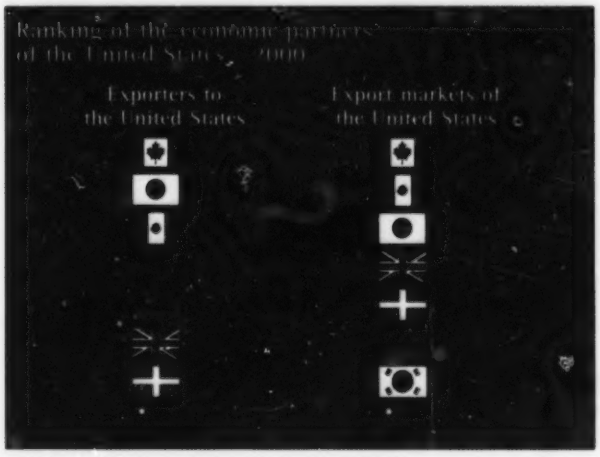
High value-added exports

- Québec's international exports reflect its diversified industrial structure in which high value-added products account for a growing proportion of output.
- More than one third of merchandise exports consist of investment goods:
  - the share of investment goods has almost tripled, from 15% in 1978 to 42% in 2000.
- Investment goods account for most of the growth in international merchandise exports:
  - telecommunications equipment: 892%;
  - aircraft and parts: 485%;
  - transportation equipment: 383%.

Québec's exports
(as a percentage of GDP)

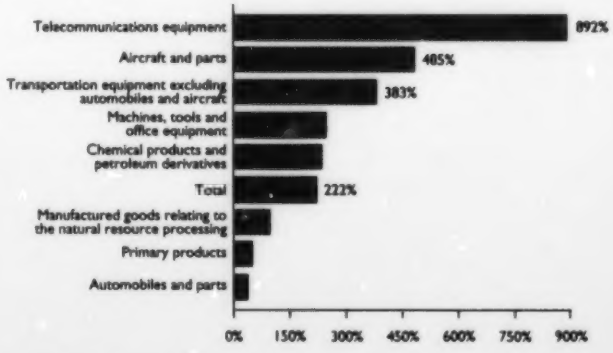


Sources: Statistics Canada and Institut de la statistique du Québec


Ranking of the economic partners of the United States, 2000
Exporters to the United States
Export markets of the United States

Sources: US Census Bureau, Statistics Canada and Institut de la statistique du Québec

Cumulative growth of merchandise exports - 1988-2000



Source: Institut de la statistique du Québec

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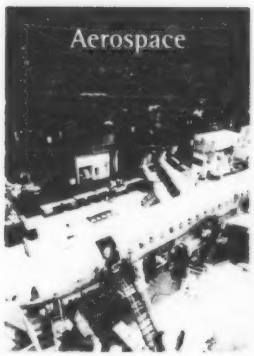
A focus on high technology



- Bombardier Aerospace
- Pratt & Whitney Canada
- CAE Electronics
- Air Canada
- Bell Helicopter Textron
- Rolls-Royce Canada
- EMS Technologies Canada
- BAE Systems Canada
- Honeywell Aerospace
- Lockheed Martin

- BioChem Pharma
- Merck Frosst
- AstraZeneca
- Wyeth-Ayerst
- Aventis
- Bristol-Myers Squibb
- Pfizer
- Roche Diagnostics
- Abbott Laboratories
- Novartis Pharma

- CGI
- IBM
- Bell Canada
- Ericsson
- Microcell
- SR Telecom
- DMR
- Cognicase
- Teleglobe Canada

High value-added exports

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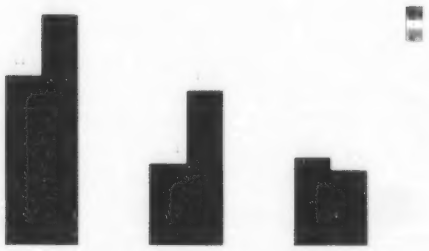


Ranking of the economic partners of the United States - 2000

1	Canada	1	Canada
2	Japan	2	Mexico
3	Mexico	3	Japan
4	China	4	United Kingdom
5	Germany	5	Québec
6	United Kingdom	6	Germany
7	Québec	7	South Korea
8	Taiwan	8	Taiwan

Cumulative growth of merchandise exports – 1988-2000

Business location and operating costs among the lowest in the world

- ❖ According to a study by KPMG (1999):
  - – Québec offers business location and operating costs that are among the lowest in the world.
  - – Compared with other large North American cities, these costs are lowest in Montréal.

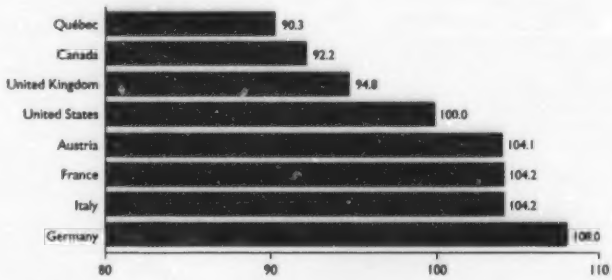
Competitive, skilled manpower

- ❖ The competitive position of manpower costs favours Québec over the United States:
  - – Unit labour costs are 38% lower in Québec than in the United States.
- ❖ Highly skilled manpower:
  - – More than 80% of workers have a high school diploma and more than 20% are university graduates.
  - – On a per capita basis, more university degrees are granted in Québec than in the United States, France or Japan.
  - – Half of Montréal's labour force is bilingual.

Cost of living and quality of life

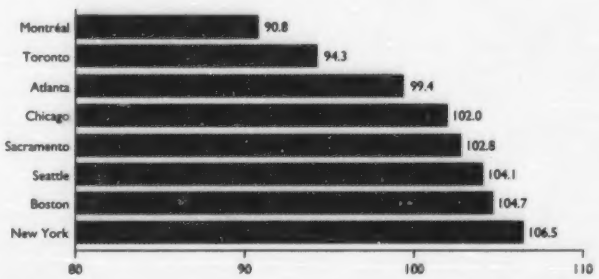
- ❖ According to a study by Mercer (June 2000) covering 146 business centres around the world, Montréal is among the cities with the lowest cost of living.
- ❖ Another study, which assessed the quality of life in 200 cities, ranked Montréal fourth among cities with the highest quality of life in the world. Montréal shares this rank with cities such as Brussels, Brisbane, Paris and Stockholm (Mercer, January 2000).

Index of business location and operating costs
(United States = 100)[1]



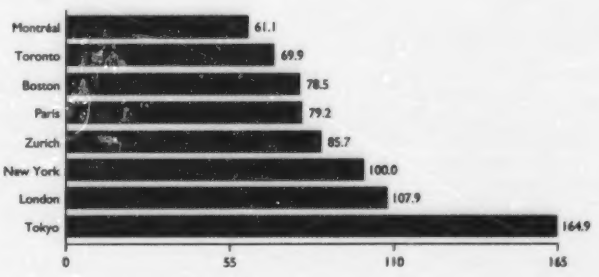
1 The lower a country's index, the lower its business location and operating costs.
Source: KPMG (1999).

Competitiveness index of large North American cities
(United States = 100)[1]



1 The lower a country's index, the lower its business location and operating costs.
Source: KPMG (1999).

Cost of living index of certain cities
(New York = 100)[1]



1 The higher the index, the higher the cost of living.
Source: Mercer (June 2000).

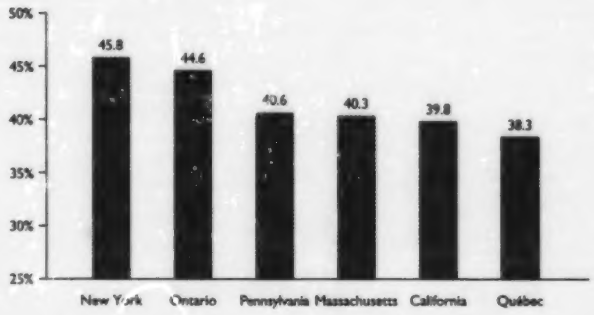
A tax system that favours economic growth

- Québec businesses enjoy a tax system that is competitive compared with Ontario and neighbouring American states:
  - According to a study by KPMG (1999), Québec has a distinct advantage in this regard.
- Tax rates on business profits in Québec are among the lowest in North America.
- Almost all companies can claim a refund of Québec sales tax on all their purchases.

Tax treatment that favours innovation

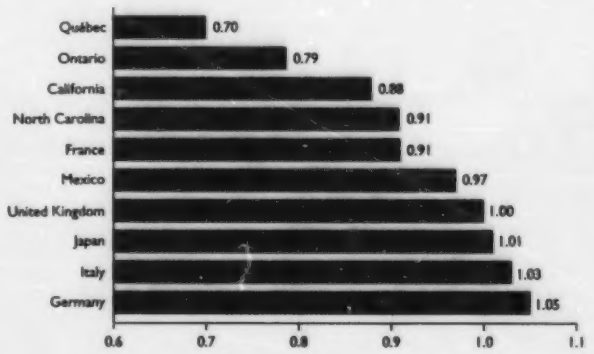
- Québec's tax system is clearly favourable for profitable companies that invest in boosting their productive capacity and improving their technology.
  - According to a study by the Conference Board of Canada (1999), Québec offers the most favourable tax treatment for R&D spending by a large company.

Combined[1] corporate income tax rates - as at July 1, 1998



1 Maximum tax rates applicable to the active income of corporations by all levels of government.
Source: KPMG (1999).

Competitiveness index of the tax treatment of an R&D expenditure - 1998[1]



1 Revenu needed by a large company to cover an R&D expenditure of $1.
Source: Conference Board of Canada (1999).

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A growing

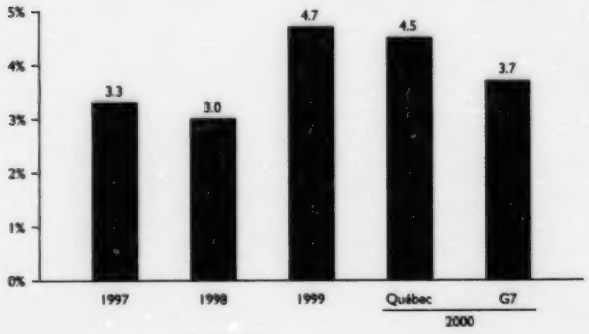
Economic indicators
(as a percentage)

	1996	1997	1998	1999	2000
Québec					
Real GDP growth	1.4	3.3	3.0	4.7	4.5
Domestic demand (1992$)	2.8	3.5	3.0	3.8	4.7
Consumption	4.8	5.9	4.2	4.5	5.4
Housing starts (units)	23 220	25 896	23 138	25 742	24 695
Non-residential business investment (1992$)	5.7	14.3	9.0	12.8	15.7
International merchandise exports (1992$)	4.3	8.8	9.4	10.1	14.0
Unemployment rate	11.9	11.4	10.3	9.3	8.4
Employment growth	-0.1	1.6	2.7	2.3	2.4
Consumer price index (CPI)	1.6	1.5	1.4	1.5	2.4
- CPI (excluding food and energy)	1.3	1.3	1.7	1.2	1.2
Canada					
Interest rates					
- Government of Canada Treasury bills (3 months)	4.2	3.3	4.7	4.7	5.5
- Government of Canada bonds (10 years)	7.2	6.1	5.3	5.6	5.9
Exchange rate (US¢)	73.34	72.23	67.43	67.30	67.33

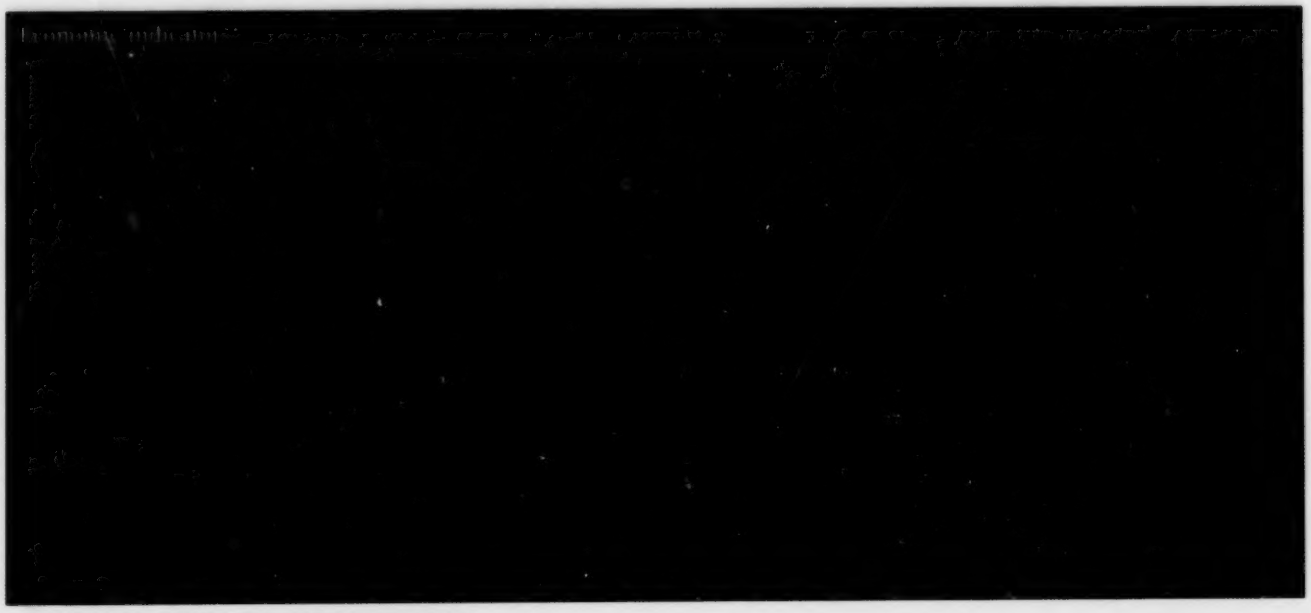
Vigorous growth and job creation

- In 2000, Québec enjoyed its fourth consecutive year of vigorous economic growth.
- Economic growth was 4.5%:
  - better than that of the G7.
- Québec's economy was supported by sustained growth in domestic demand (4.7%) and strong international demand:
  - rise of 14.0% in the volume of international merchandise exports.
- Thanks to this performance, the labour market was buoyant:
  - over 80 000 new jobs created in 2000;
  - strong growth for a third consecutive year, a performance unequalled since 1987;
  - the average unemployment rate fell to 8.4% in 2000:
    - its lowest level since 1975.

Real gross domestic product – Québec and G7
(change in percentage, constant 1992 dollars)



Sources : Institut de la statistique du Québec, ministère des Finances du Québec and OECD.



Sources : Bank of Canada, Institut de la statistique du Québec and ministère des Finances du Québec.

An environment that remains conducive to growth

- ❖ Diversified economic base.
- ❖ Rigorous management of public finances.
- ❖ Lower tax burden.
- ❖ Tax measures promoting investment.
- ❖ Relatively low inflation.
- ❖ Low interest rates.
- ❖ Favourable exchange rate and improved competitiveness.

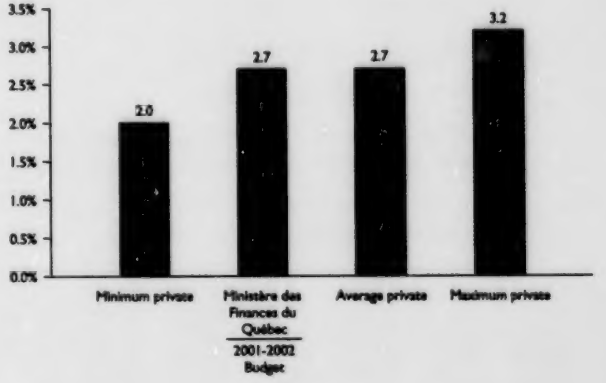
Long-term interest rates – Canada
(as a percentage)

Source: Bank of Canada

Economic forecasts for 2001

- ❖ The 2001-2002 Budget was prepared using an economic growth forecast of 2.7% for 2001:
  - equivalent to the average private-sector forecast.
- ❖ Labour market conditions should continue to improve:
  - unemployment rate to decline to 8.0%.
- ❖ Inflation should remain low:
  - consumer price index to rise by 1.4%.
- ❖ Interest rates should remain low:
  - 5.0% for short-term rates;
  - 5.3% for long-term rates.

Economic growth in Québec in 2001
Comparison with the private sector
(change in percentage)



Three years of budget surpluses

- The deficit was eliminated in 1998-1999.
- The success of the deficit elimination plan was attributable to rigorous management of program spending:
  - program spending as a percentage of GDP has fallen considerably, from:
    - 22.9% in 1992-1993 to 18.7% in 2000-2001.
  - it will continue falling to 18.3% in 2002-2003:
    - its lowest level in at least 30 years.
- As required under the *Act respecting the elimination of the deficit and a balanced budget*, no budgetary deficit in the coming years.

Budget deficit
(in billions of dollars)

Substantial additional revenue

- Strong economic growth in 2000 generated more revenue than forecast.
- This extra revenue was used to:
  - further cut personal income tax;
  - substantially reduce the debt;
  - allocate additional resources to health and education, and promote economic development;
  - set up a reserve of $950 million to be used, in particular, to modernize the health and education networks, for social solidarity and research.

Program spending[1]
(as a percentage of GDP)

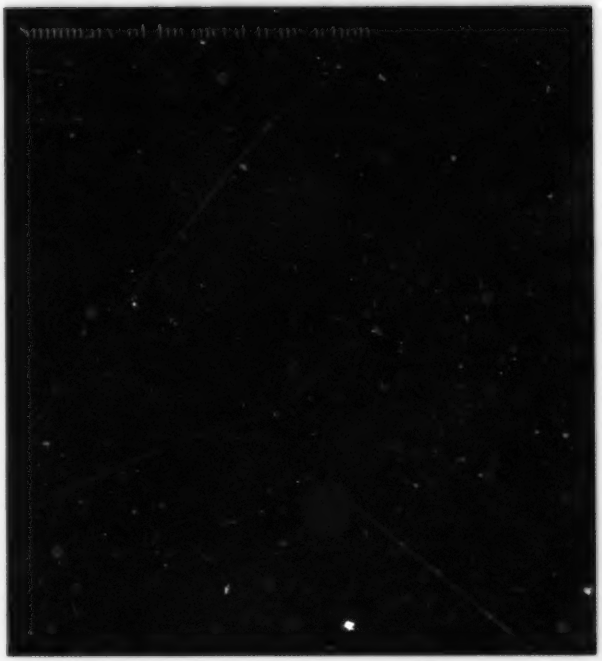
1 Excluding extraordinary expenditures of $1 377 million in 1998-1999.

Debt reduction

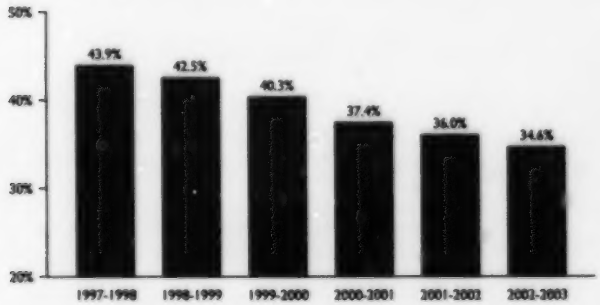
- In 2000-2001, the Québec government entered a new phase in restoring order to public finances:
  - budget surplus of a half-billion dollars:
    - used to reduce the debt.

Declining debt load

- The debt's relative weight in the economy is declining:
  - as a percentage of GDP, the debt representing accumulated deficits will fall substantially from:
    - 43.9% in 1997-1998; to
    - 34.6% in 2002-2003.



Debt representing accumulated deficits[1]
(as a percentage of GDP)



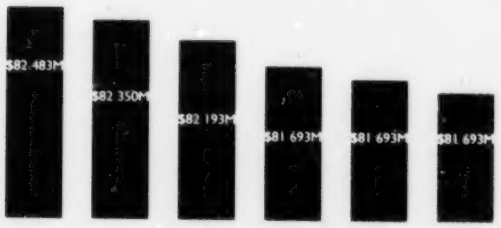
1 Including the adjustments shown in the public accounts.

Debt reduction

Summary of financial transactions
(in millions of dollars)

	2000-01	2001-02	2002-03
Budgetary revenue			
Own-source revenue	42 729	41 652	42 817
Federal transfers	8 174	9 484	9 557
	50 903	**51 136**	**52 374**
Budgetary expenditure			
Operating expenditure	-41 789	-43 226	-44 582
Debt service	-7 664	-7 910	-7 792
	-49 453	**-51 136**	**-52 374**
Reserve for health, education, social solidarity and research	**-950**	—	—
Budgetary surplus after reserve	**500**	**0**	**0**
Non-budgetary transactions	-932	-770	-241
Net financial requirements	**-432**	**-770**	**-241**

Debt representing accumulated deficits

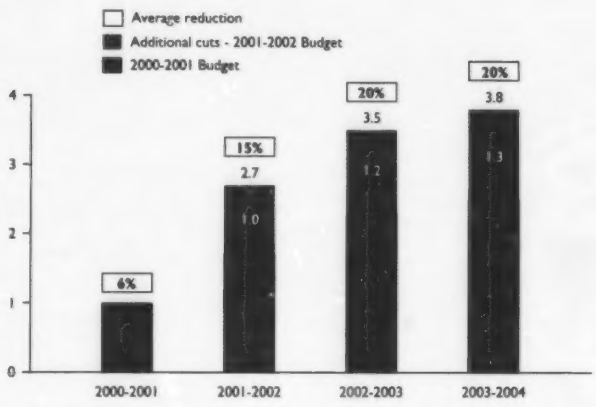


A competitive system

Significant drop in the personal tax burden

- The 2001-2002 Budget Speech announces an additional personal income tax cut of $3.5 billion.
  - The tax cuts of the last two budgets total $11 billion over four years.
- In 2002, the personal tax burden will have fallen by an average of 20%.
- To protect taxpayers' purchasing power, tax tables will be fully indexed one year earlier, on January 1, 2002.
- The personal tax system is thus streamlined, more competitive and more conducive to employment.

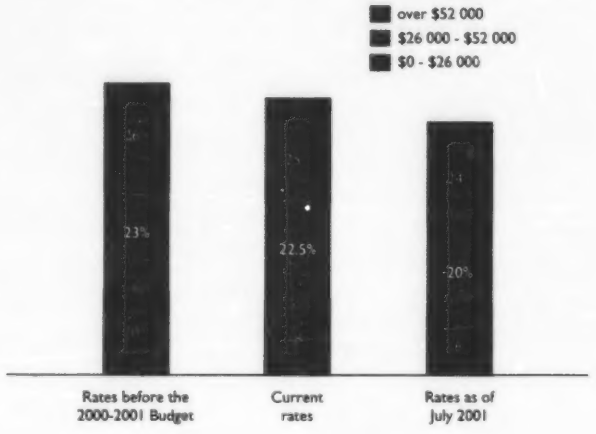
Personal income tax reduction
(in billions of dollars)



Measures of the 2001-2002 Budget to support private investment

- The FAIRE program:
  - offers assistance adapted to investors: financing, cost-sharing and loan guarantees;
  - initial objective: creation of 28 000 jobs by 2003; achievement: 41 000 jobs created or maintained to date;
  - in view of the program's success, the five-year funding envelope is raised from $950 to $1 200 million.
- Support for the knowledge-based economy:
  - the government reiterates its support for high technology:
    - more assistance for the development of the optics sector;
    - creation of the Cité de la biotechnologie et de la santé humaine, focusing on biotechnology and human health.
- Bolster the vitality of every region of Québec through tax exemptions, for instance:
  - zero tax on profits, capital and payroll for ten years for manufacturing companies with no more than 100 employees in targeted regions;
  - 40% tax credit respecting wages in the resource-processing sector.

Personal income tax rates by taxable income bracket



Agencies that foster economic development

- Many organizations associated with the government are highly effective in promoting job creation and attracting investment.

Investissement Québec

www.invest-quebec.com

- Organization focused chiefly on increasing investment and job creation in Québec.
- One-stop centre for Québec and foreign companies:
  - offers effective financial and tax incentives to sustain private investment.
- Refundable tax credits equal to 40% of wages paid to eligible employees of, for instance:
  - the Cité du multimédia (Multimedia City);
  - Centres de développement des technologies de l'information (Information technologies development centres); and
  - Carrefours de la nouvelle économie (New economy centres).
- Financial assistance for projects driven by innovation and exports. In 1999-2000, 770 projects were supported and will lead to $3.9 billion of investment and the creation of 25 000 jobs.

MIRABEL

www.zonemirabel.com

- Technical and financial assistance for the implementation of projects in the aerospace industry and the international logistics and light manufacturing sectors.
- Land adjacent to Mirabel Airport available at very competitive prices.
- Tax assistance for the construction of buildings and lease or purchase of equipment.
- Refundable tax credits equal to 40% of wages of eligible employees, ten-year holiday from income tax, tax on capital and payroll tax.

SGF

www.sgfqc.com

- The Société générale de financement du Québec (SGF) is dedicated to carrying out economic development projects with partners and under normal profitability conditions.
- SGF's objective: generate $10 billion of investment in five years.
- In 1999, participation in 52 projects:
  - total investment of $1.5 billion;
  - creation of 10 900 jobs.
- Annual return of 15% over five years.
- Some forty foreign partners.

International Financial Centre
Montréal

www.cfimontreal.com

- The International Financial Centre (IFC) seeks to facilitate the location, development and retention, in Montréal, of companies specializing in international financial transactions.
- The IFC program offers tax benefits:
  - to corporations:
    - exemption from Québec's tax on profits stemming from eligible international transactions;
    - exemption from Québec's tax on capital;
    - exemption from the payroll tax.
  - to employees:
    - Canadian residents: exemption of half of Québec's personal income tax;
    - non-residents: total exemption from Québec's personal income tax for five years.
- 87 institutions have IFC status in Montréal.

M121

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Financing programs

Government and Financing Fund
Financing program
(in millions of dollars)

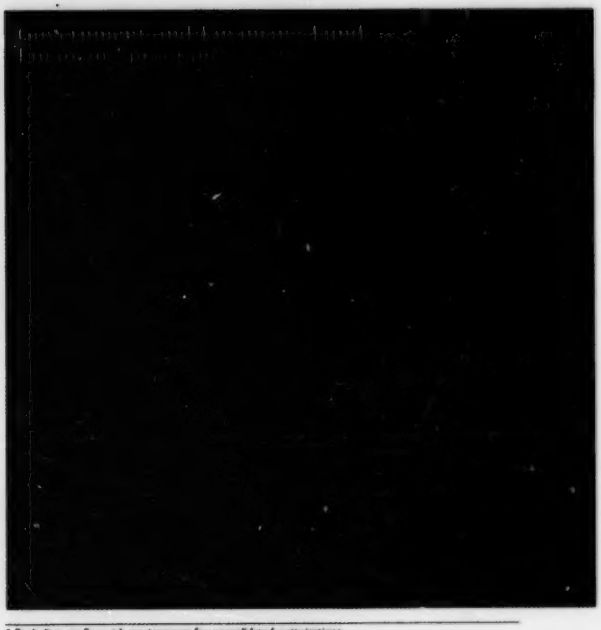
	2000-2001	2001-2002
Consolidated Revenue Fund		
Basic program		
– Net financial requirements[1]	—	—
– Maturing debt	4 595	4 741
– Change in cash position	-506	-1 477
	4 089	3 264
Optional program		
– Retirement Plans Sinking Fund	2 014	2 112
– Pre-financing	1 477	—
	3 491	2 112
	7 580	5 376
Financing Fund[2]	1 001	1 400
Total	8 581	6 776

Financement-Québec
(in millions of dollars)

	2000-2001	2001-2002
Financing program	1 690[1]	1 400

Government and Financing Fund

- The financing program for 2001-2002 is estimated at $6.8 billion:
  - $5.4 billion for the Consolidated Revenue Fund:
    - basic program of $3.3 billion;
    - optional program of $2.1 billion.
  - the needs of the Financing Fund amount to $1.4 billion.
- The basic program of the Consolidated Revenue Fund is designed to:
  - repay maturing debt;
  - maintain the cash position at the desired level.
- Depending on opportunities on financial markets, the optional program helps to reduce the cost of servicing the debt by:
  - contributing to a Sinking Fund that can eventually be used to pay retirement benefits of public-sector employees;
  - carrying out advantageous pre-financing.
- The Financing Fund generates savings by grouping the borrowings to be taken out for certain consolidated organizations and government corporations.



1 Excluding net financial requirements for consolidated organizations.
2 Borrowings are made out of the Financing Fund to certain consolidated organizations and government corporations.

Financement-Québec

- This government corporation was created in 1999. It borrows on public and private markets:
  - in its own name;
  - with the government's guarantee;
  - and then lends to institutions of the health and education networks (previously served by the Financing Fund).
- Financement-Québec's borrowing requirements are estimated at $1.4 billion in 2001-2002.

1 Including $243 million in pre-financing.

Financing focusing on diversification

Markets

- The debt is financed on various markets:
  - Canada;
  - United States;
  - Europe;
  - Asia;
  - Australia.

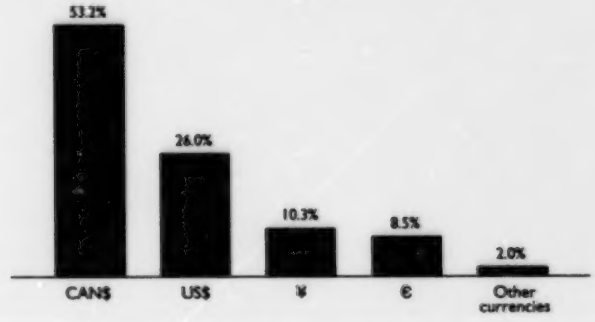
Instruments

- Long-term instruments:
  - negotiable bonds;
  - medium-term notes;
  - private issues;
  - retail savings products.
- Short-term instruments:
  - Treasury bills;
  - Treasury notes.
- Lines of credit:
  - syndicated (US$3 500 million available);
  - bank ($1 165 million available).

Maturities

- Maturities spread over time:
  - to avoid massive refinancings.

Structure of the debt managed by the government[1] by currency as at March 31, 2001 (excluding currency swap and Fx-forward contracts)

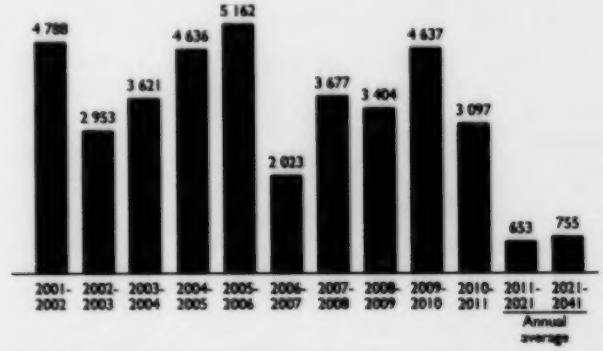


1 Debt of the Consolidated Revenue Fund and debt incurred to make advances to the Financing Fund.

Direct debt[1] by instrument as at March 31, 2001
(as a percentage)

1 Debt of the Consolidated Revenue Fund borrowed on financial markets.

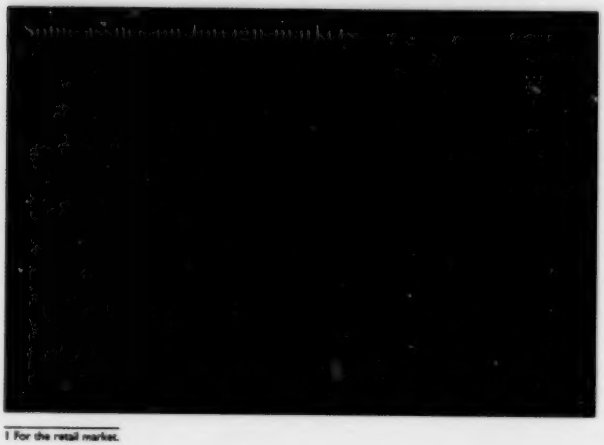
Long-term direct[1] debt maturities as at March 31, 2001
(in millions of dollars)



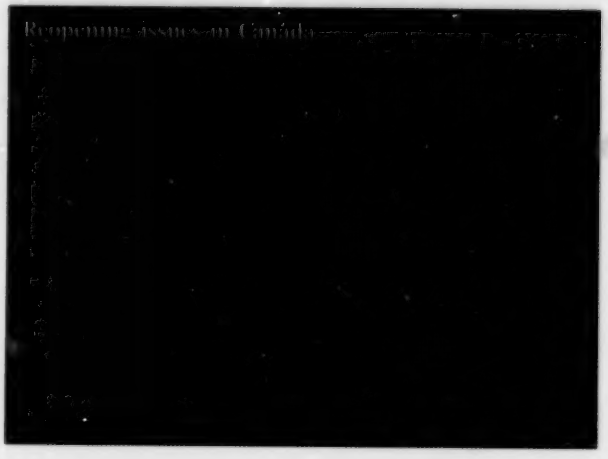
1 Debt of the Consolidated Revenue Fund borrowed on financial markets.

Strategy: liquidity

- ❖ The liquidity of Québec securities is a top priority.
- ❖ The following strategy has been developed to ensure good liquidity:
  - long-term relations with Québec's financial partners;
  - satisfaction of investors' needs;
  - regular presence on all major markets:
    - with benchmark issues; and
    - by reopening issues.
  - promotion of Québec securities:
    - promotional documents;
    - meetings with investors;
    - involvement of banks and brokerage firms.
- ❖ On the domestic market, the size of Québec securities fosters liquidity:
  - Québec is the third-largest issuer in Canada.



1 For the retail market.



Long-term relations with foreign markets

- ❖ Tapping foreign markets is necessary to satisfy the government's borrowing requirements.
- ❖ Québec has been present on major markets for a long time:
  - first foreign issue: United States, 1879;
  - first issue in Europe in 1968;
  - second foreign government after Australia to borrow on the Japanese market, in 1972;
  - first issue in Euros immediately in 1999;
  - in 2001, first Canadian government to borrow on the Australian market.

Minimization of costs

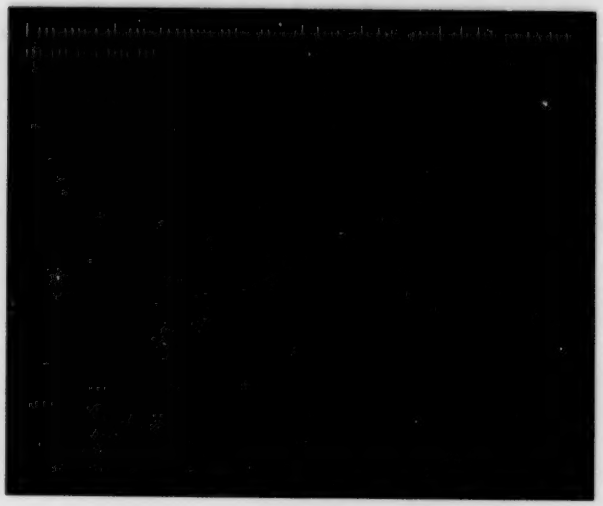
- Financing decisions are taken independantly from debt management decisions:
  - Borrowings are made where funds are available, at the lowest possible cost.
  - Futures and swap contracts are used to target optimal debt structure:
    - by currency;
    - at fixed rates and at variable rates.

Rigorous management of debt service

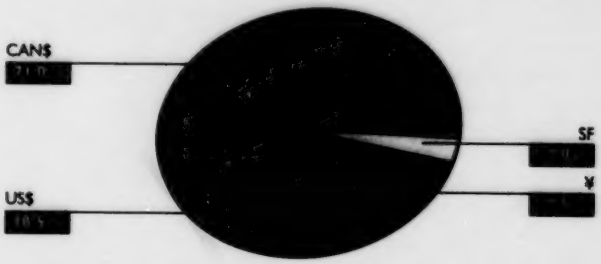
- Close monitoring of debt service expenses.
- Use of financial instruments to minimize debt service fluctuation:
  - currency trading and variable rate debt transactions.

Counterparty credit policy

- The Québec government has adopted a counterparty credit policy that includes:
  - setting explicit credit limits for each dealer;
  - continuous assessment of the market value of transactions;
  - if the credit threshold is reached, an adjustment mechanism is triggered to return within the established limits.

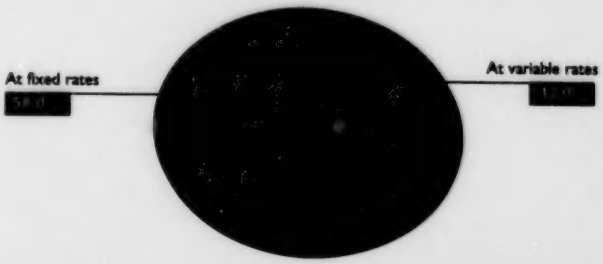


Structure of the debt managed by the government[1] by currency as at March 31, 2001 (including currency swap and Fx-forward contracts)



1 Debt of the Consolidated Revenue Fund and debt incurred to make advances to the Financing Fund.

Structure of the debt managed by the government[1] as at March 31, 2001 at fixed rates and at variable rates



1 Debt of the Consolidated Revenue Fund and debt incurred to make advances to the Financing Fund.

Liquidity

Some issues on foreign markets

Market	Coupon %	Maturity	Amount issued (in millions of units of the local currency)
US$ Global	5.75	2009	1 000
	6.125	2011	1 000
	7.5	2029	1 500
Euro	5.125	2007	150[1]
	5.125	2009	639
Swiss franc	3.5	2008	500
Yen	3.0	2009	100 000
Australian$	5.75	2006	280
	Variable	2006	120

Reopening issues in Canada

Coupon %	Maturity	Initial issue date	Number of reopenings since initial issue	Amount outstanding as at March 31, 2001 (in millions of dollars)
7.5	2003	1993/09	10	2 266
6.5	2005	2000/02	4	1 435
7.75	2006	1996/02	11	1 971
6.5	2007	1997/02	18	2 942
5.5	2009	1999/01	17	2 378
6.25	2010	2000/08	4	1 160
9.375	2023	1993/03	9	2 202
8.5	2026	1996/07	11	2 176
6.0	2029	1998/05	12	2 484
6.25	2032	2000/06	2	1 200

Québec's first issues on foreign markets

Yankee (US$)	1879
Deutsche mark	1968
French franc	1972
Samurai (Japan)	1972
Swiss franc	1972
Pound sterling	1982
Matador (Spain)	1997
Swedish crown	1998
Euro	1999
Kangaroo (Australia)	2001

Debt management

Minimization of costs

- Financing decisions are taken independantly from debt management decisions

  Borrowings are made where funds are available at the lowest possible cost

  Futures and swap contracts are used to target optimal debt structure

  - by currency
  - at fixed rates and at variable rates

Reduction in debt service

- Close monitoring of debt service expenses
- Use of financial instruments to minimize debt service fluctuation

  currency trading and variable rate debt transactions

Counterparty credit policy

- The Quebec government has adopted a counterparty credit policy that includes

  setting explicit credit limits for each dealer

  continuous assessment of the market value of transactions

  If the credit threshold is reached, an adjustment mechanism is triggered to return within the established limits

Financial instruments used for debt and debt service management

Interest rate futures contracts

Canada
- 3 months (BAX)
- 10 years (CGB)

United States
- 3-month LIBOR
- Options on 3-month LIBOR
- 2, 5, 10 and 30 years (T-Bonds, T-Notes)

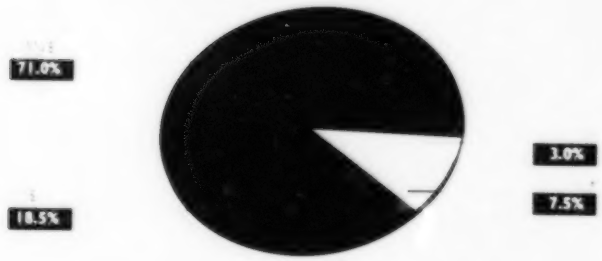
Over-the-counter products

Swaps
- Interest rates
- Cross currencies

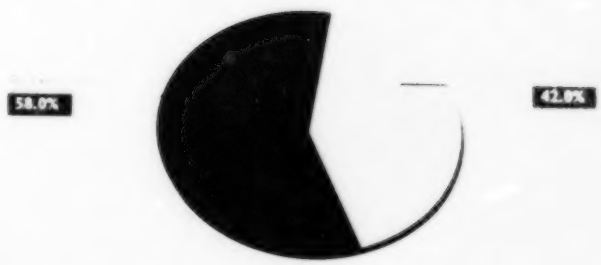
Fowards
- Bankers' acceptances in Canada (FRA)
- Fx-forwards

Options
- Bankers' acceptances in Canada (Caps-Floors)
- Swaptions
- Fx-options

Structure of the debt managed by the government by currency as at March 31, 2001
(including currency swap and Fx-forward contracts)



Structure of the debt managed by the government as at March 31, 2001, at fixed rates and at variable rates



Credit ratings

Agency	Rating	Outlook
Standard & Poor's	A+	stable
Moody's	A2	positive
Dominion Bond Rating Service[1]	A	stable
Japan Credit Rating Agency	AA	—

High-quality credit

- Credit rating agencies have identified a number of positive factors associated with the Québec government's credit rating.

- Standard & Poor's recognizes the Québec government's rigorous management of public finances:

  – "The ratings reflect [...] the government's determination to achieve balanced budgets through the medium term, in keeping its balanced budget legislation".

  Standard & Poor's report, March 17, 2000

- Moody's emphasizes the strengh and diversification of Québec's economy:

  – "Québec benefits from a sizable and diversified manufacturing sector that is supported by a vast array of natural resources and the development of high technology industries."

  Moody's report, July 2000

- The upgrade to Québec's credit rating in June 2000 by Dominion Bond Rating Service (DBRS) reflects, among other things:

  – "a demonstrated commitment by the Province to achieve its fiscal targets"; and

  – "the significant reduction in the Province debt-to-GDP ratio over the last three years, and further progress expected in 2000-2001".

  DBRS report, June 19, 2000

1 Rating upgraded from A (low) to A on June 19, 2000.